

# Global Convertible Strategy



## Market Overview

Global convertibles trailed equity returns but participated in a significant portion of the upside, as the BofA Merrill Lynch Global 300 Convertible Index (G300) returned 4.71%\* in the period. U.S. convertibles returned 5.30%, driven by returns in the underlying equities. European convertibles trailed slightly in the period with a 3.81% return, while Japan domestic convertibles returned 6.57%. Emerging market convertibles generated moderate gains but trailed emerging market equities, returning 3.59% for the period. Thanks to stronger underlying equity performance, investment grade convertibles gained 2.83% globally versus the -1.86% decline in below-investment grade issues, as measured by the BofA Merrill Lynch Investment Grade Global Index and BofA Merrill Lynch Below Investment Grade Global Index. New convertible issuance reached \$24.3 billion globally for the quarter, a figure well ahead of the \$15.8 billion pace seen at the end of first quarter in 2016 (per BofA Merrill Lynch figures). This issuance level marked healthy demand in the overall market and outpaced redemptions.

## Performance Review

The portfolio's strong quarterly result reflected the outperformance of the cyclical growth sectors that garnered interest stemming from expected fiscal stimulus initiatives, such as increased infrastructure spending, tax reform, and reduced federal regulation.

The areas that had significant impact on performance during the quarter included:

**Consumer Discretionary.** As was the case in fourth quarter 2016, selection in consumer discretionary continued to benefit return.

Holdings in Internet and direct marketing retail provided a nice boost to performance as did our representation in automobile manufacturers.

**Information Technology.** Security selection within the information sector added to the portfolio's result during the quarter. Portfolio holdings in the semiconductors and communications equipment industries notably outperformed.

**Health Care.** Security selection in health care held back performance during the quarter. The portfolio was underweight to the biotechnology industry, which had a solid quarter, and our holdings lagged relative to the benchmark index. Additionally, positions within managed health care underperformed.

**Energy.** Security selection within the energy sector also detracted from performance. Portfolio holdings in the oil and gas exploration and production industry proved to be a drag.

**FIGURE 1. CALAMOS GLOBAL CONVERTIBLE STRATEGY RETURNS**

	QTR ENDING 3/31/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/01)
<b>Calamos Global Convertible Composite</b>						
Gross of Fees	4.63%	10.56%	4.32%	5.70%	5.84%	7.76%
Net of Fees	4.28	9.05	2.82	4.40	4.85	6.72
BofA ML VG00 - Global 300	4.70	11.82	4.67	7.52	5.61	6.82
MSCI World Index	6.53	15.43	6.12	9.99	4.81	7.19

Source: Calamos Advisors LLC and Mellon Analytical Solutions LLC  
**Past performance is no guarantee of future results.**  
 Data as of 3/31/17.

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**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX**  
FIRST QUARTER 2017

	CONTRIBUTORS	DETRACTORS
Consumer Discretionary	67	
Information Technology	40	
Industrials	19	
Real Estate	13	
Utilities	11	
Consumer Staples	9	
Telecom Services	1	
Materials		-10
Financials		-37
Health Care		-46
Energy		-53

Attribution represented in basis points and is based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indexes the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 3/31/17.

## Positioning

From an economic sector perspective, our largest allocations are found in the information technology, consumer discretionary, industrials and financials sectors. The lightest allocations are found in consumer staples, utilities and materials.

Below, we discuss changes made in certain economic sectors during the quarter:

**Energy.** We increased the energy allocation during the quarter, as we added securities of companies with favorable risk-reward profiles that stand to benefit from increased U.S. oil production. In this regard, we added positions in the oil and gas drilling and in the oil and gas equipment and services industries.

**Financials.** Given a weaker risk-reward profile, we reduced our stake in the financials sector. Specifically, we trimmed our position in the mortgage REITs industry.

## Outlook

Overall, we are constructive on the markets and expect our strategy to participate in future equity market advances, while also providing a measure of downside protection should there be any unforeseen volatility. We continue to monitor fiscal policy developments, monetary policy adjustments and any changes to the geopolitical landscape. However, we also believe that convertibles should be a favored asset class given their strong historical performance in a rising-rate, higher-equity market backdrop. Market changes and new issuance can alter the convertible landscape over time. As such, we believe that our actively managed approach enables us to take advantage of these opportunities and maintain an attractive risk/reward profile over full market cycles. Therefore, we continue to manage the portfolio with an emphasis on risk/reward, and we expect to participate in equity advances while maintaining a measure of downside protection should equities retreat.

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**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX**

SECTOR	REPRESENTATIVE PORTFOLIO %	BOFA ML G300 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/16 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	20.8	23.3	1.1	-2.5
Consumer Discretionary	16.8	11.9	-0.4	4.9
Industrials	14.1	11.4	0.1	2.7
Financials	13.5	12.3	-0.9	1.2
Health Care	11.3	12.1	-1.1	-0.8
Real Estate	7.9	5.7	-0.3	2.2
Energy	6.2	7.6	1.6	-1.4
Telecom Services	4.8	4.4	-0.2	0.4
Materials	2.6	4.2	0.1	-1.6
Utilities	2.0	4.5	0.0	-2.5
Consumer Staples	0.0	2.6	0.0	-2.6

Source: Calamos Advisors LLC.

Data as of 3/31/17.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad based index hedging securities/options the portfolio may hold.

**FIGURE 4. COUNTRY WEIGHTS VERSUS BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	BOFA ML G300 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/16 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	57.9	56.2	-0.3	1.7
France	7.7	4.7	0.1	3.0
Netherlands	6.7	3.5	-1.7	3.2
Japan	6.5	9.1	1.2	-2.6
Italy	4.2	0.8	-0.1	3.4
Germany	3.3	3.8	-0.5	-0.5
United Kingdom	3.1	4.4	0.1	-1.3
China	2.4	2.2	0.3	0.2
South Africa	1.4	1.2	1.4	0.2
Hungary	1.2	0.9	0.0	0.3
Developed Markets	93.4	92.8	-1.1	
Emerging Markets	6.6	7.2	1.1	

Source: Calamos Advisors LLC

\*Excludes cash weighting. Companies are classified geographically according to their country of domicile.

Data as of 3/31/17.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Companies are classified geographically according to their country of domicile. Geographical distribution tables exclude any options on broad market indexes the portfolio may hold.

The representative portfolio information described in both charts above represents a representative account managed in the Global Convertible strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

"Safety stocks" and "stable stocks" are subject to the same risks as all stock market securities. Stock prices in general (or in particular, the prices of the types of securities in which a portfolio invests) may decline over short or extended periods of time.

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Past performance does not guarantee or indicate future results. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are for the Representative Portfolio shown and are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable and will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted the Calamos Global Convertible Composite which is an actively managed composite investing primarily in a globally diversified portfolio of convertible securities. The composite includes all fully discretionary fee-paying accounts, including those no longer with the Firm. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

**Country Return Statistics:** Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The MSCI World Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region. The BofA Merrill Lynch Global 300 Convertible Index (G300) is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: Calamos Advisors LLC and Mellon Analytical Solutions LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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